

General Manager Monitoring Overview

Period from 2/1/2018 to 1/31/2019

Version 2, edited 5/24/2019

The board's monitoring of the General Manager's performance is based on Madison Water Utility's achievement of Outcomes policies and operation within the boundaries of Executive Limitations policies, as established in the [Water Utility Board's Policy Book](#).

Internal Monitoring

Policy Monitored

Date Accepted by Board

(Includes link to report)

Water Quantity (O-2A)	10/23/2018
Water Quality (O-2B)	4/24/2018 11/27/2018
Reliability (O-2C)	11/27/2018
Affordability (O-2D)	5/22/2018
Sustainability (O-2E)	7/31/2018 2/5/2019
Treatment of Consumers (EL-2A)	4/24/2018
Treatment of Staff (EL-2B)	6/26/2018
Financial Planning/Budgeting (EL-2C)	6/26/2018 <i>(Capital Budget)</i> 7/31/2018 <i>(Operating Budget)</i>
Financial Condition & Activities (EL-2D)	4/24/2018 2/5/2019
Emergency General Manager Succession (EL-2E)	6/26/2018
Asset Protection (EL-2F)	10/23/2018
Infrastructure (EL-2G)	5/22/2018
Communication & Support to the Board (EL-2H)	10/23/2018
Quality & Performance Improvement (EL-2I)	2/5/2019
Workforce Planning (EL-2J)	N/A

External Monitoring

Vicki Hellenbrand, CPA from Baker Tilly presented the 2017 audit and answered questions from the board on July 31, 2018.

- [2017 MWU Audit Communications.PDF](#)
- [2017 MWU Financial Statements.PDF](#)
- [2017 Audit Presentation.pdf](#)

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Compliance

The General Manager reported compliance with all Outcomes and Executive Limitations policies, with the following exceptions:

- **Water Quantity O-2A(1):** Water delivered to hydrants at proper flow rates for fire protection.

Mitigation projects in progress and scheduled. Achieving compliance more quickly would require rate increases in violation of the board's current Affordability Policy (O-2D) which limits increases to an annualized rate of 9% per year.

- **Water Quantity O-2A(2):** Water delivered to the customer tap at a pressure that meets industry-accepted low, high, and emergency operation criteria.

Mitigation projects in progress and scheduled. Achieving compliance more quickly would require rate increases in violation of the board's current Affordability Policy (O-2D) which limits increases to an annualized rate of 9% per year.

- **Affordability O-2D(3):** Madison Water Utility shall... Generate its authorized return on rate base consumption (defined as per F-23 of the Utility's Annual Report to the PSCW). This sets a reasonable return on investment as determined by an outside party, the PSCW. The allowable return on investment is comparable to that of other publically and privately owned utilities in Wisconsin. By maximizing this return, the utility will have revenue necessary and reasonable for reinvestment in system improvements, and operations and maintenance expenses.

Mitigation is complete. An application to increase rates was filed in in 2017, and a new rate order is in effect as of November 2, 2018.

- **Financial Condition and Activities EL-2D(6):** Establish an unrestricted reserve equal to a typical three months' operating expenses.

MWU is currently not funding its unrestricted reserve and likely will not do so until it completes the repayment of its loan from the City in year 2019. Management is in the process of developing detailed cash reserve policies to address shortfalls in unrestricted cash reserves.

Achieving compliance more quickly would require rate increases in violation of the board's current Affordability Policy (O-2D) which limits increases to an annualized rate of 9% per year.